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IN THE  
**Supreme Court of the United States**

OCTOBER TERM, 1944

NO. 377

PRECISION INSTRUMENT MANUFACTURING COM-  
PANY, KENNETH R. LARSON AND SNAP-ON TOOLS  
CORPORATION,

*Petitioners,*

*vs.*

AUTOMOTIVE MAINTENANCE MACHINERY CO.,

*Respondent.*

**RESPONDENT'S BRIEF OPPOSING PETITION  
FOR WRIT OF CERTIORARI**

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## RESPONDENT'S BRIEF OPPOSING PETITION FOR WRIT OF CERTIORARI

The opinion of the Court of Appeals alone is an adequate and complete answer to the present petition. The Court's recitation of the *facts* is not seriously challenged in the present petition or the supporting brief. The opinion on its face clearly demonstrates that the Court very painstakingly scrutinized and considered not only the pleadings, the voluminous testimony, and the numerous exhibits, but also the District Court's Findings of Fact and Memorandum, and applied sound legal principles to the actual facts of the case.

On the other hand, petitioners' counsel in their petition and brief very sketchily set forth a misleading and inaccurate version of only those few matters in the record which they think may bolster their petition. They also misconstrue and distort the Findings of Fact of the District Court and misinterpret the opinion of the Court of Appeals. They include misstatements of fact as parts of the "Questions Presented," and misapply the authorities to their unfounded versions of the facts, the findings and the opinion.

Petitioners' counsel may have adopted this course, because it is so obvious that there is no sound basis under Rule 38 of this Court for the filing of the petition. There are no "special and important reasons" warranting the granting of the petition. There is no question of general importance presented; and nothing whatever of public interest. It is merely a private controversy between the parties. The petition discloses nothing more than a desire to have this Court review the hundreds of pages of testimony and exhibits and readjudicate the case solely upon the facts which have been finally and correctly determined against the petitioners.

### **The Facts Found by the Court of Appeals Stand Virtually Unchallenged.**

Nowhere in the petition or supporting brief do petitioners' counsel point out any error in the recitation of the facts which are so fully and ably set forth in the 15-page opinion of the Court of Appeals. Petitioners' statements concerning the facts (pp. 2, 14) certainly do not contain "all that is material to the consideration of the questions presented"—quoting from Rule 27a of this Court. Many material facts are entirely omitted by petitioners' counsel and they misinterpret or erroneously state others. Were it not for the opinion of the Court of Appeals, we would feel called upon to make here a full statement of the case. However, we accept that opinion as our statement of the facts and print it in the Appendix of this brief, with references in the margin to some of the Record pages supporting the fact findings and legal conclusions of that Court (pages 29 to 43, *infra*). For the convenience of this Court, we also print in the Appendix the Trial Court's Findings of Fact (p. 23-7, *infra*). The District Court's "Memorandum" is quoted in the Court of Appeals' opinion (p. 30, *infra*). Italics in this brief are ours unless otherwise indicated.

While we believe that the opinion of the Court of Appeals itself sufficiently demonstrates that the petition is entirely without merit, yet we feel it is our duty to point out specifically to this Court some of the many erroneous, misleading and unfounded statements and contentions which petitioners make and upon which they rely in urging the granting of the petition. (*Furness, Withy & Co. v. Yang-Tsze Insurance Ass'n*, 242 U. S. 430, 433-4.

### **Re Petitioners' Misrepresentations With Respect to the Evidence.**

On page 5 of the petition is the bald statement that Larson filed the application as the sole inventor "when it was clearly developed by applicant and another," implying of course that the claims, as filed, covered a joint invention of Larson and Thomasma. That is not true. Indeed, petitioners pleaded neither perjury nor fraud in the filing of the Larson application. They asked for no finding upon it (R. 1117-1120). The District Court made none (p. 23, *infra*). But the Court of Appeals (p. 31-2, *infra*) did discuss and find as to the facts and expressly said "This [the feature of the claims], we think the evidence clearly discloses, was *Larson's* contribution, and it was so asserted at the trial by Alberts." (He was the solicitor who prepared and filed the Larson application and Snap-On's original and first amended Petition for Declaratory Judgment in this case and was a witness for petitioners at the trial.) With respect to petitioners' contention to the contrary, the Court expressly found "This record does not warrant such conclusion" (p. 42, *infra*). Thomasma, while respondent's trusted employee, did propose to Larson the developing of a wrench from the Automotive wrench, but Larson contributed the "tailpiece for operating a gauge mechanism" to which the claims "were limited" (p. 31, *infra*).

Also on page 7 of the petition is the groundless statement that respondent's attorneys "procured documentary proof of the perjury." Petitioners leave this Court and us in the dark as to what the "documentary proof" is. They could hardly have had in mind the drawing, which was made by Thomasma and offered in evidence in the Interference as the earlier work of a highschool boy hired by Larson, because that drawing gives no hint of lack of authenticity or misdating, and neither a competent handwriting expert nor Thomasma's brother was able to advise respondent's attorney that the drawing was made by Thomasma (R. 308-9, 648, 757-9). And it would be absurd to say that the Thomasma affidavit was "documentary proof" as it was nothing but a transcription of an unconfirmed, unfested *ex parte* story told by a man who had been disloyal to respondent and who was seeking revenge against his co-conspirators, Larson and Carlson, because they were trying to force him out of Precision (p. 33, *infra*).

On page 15 of petitioners' brief is the assertion that Thomasma "disclosed the facts (Finding 6, R. 1123)" one Sunday evening to respondent's president, Wacker, and his attorney. Clearly the Finding does not support this misleading assertion: — if it had, petitioners' counsel would have done well to have quoted the language of the finding. The Court of Appeals (p. 33, *infra*), after stating that at such meeting Thomasma attempted to sell his Precision stock to respondent's president, specifically found that Thomasma "then asserted he had given Larson the idea of developing a wrench from the Automotive wrench, but he disclosed no specific facts with respect thereto."

On page 16 of petitioners' brief is the assertion that "plaintiff's attorney laid down a twenty-four hour ultimatum for settlement (R. 903)." That, too, is untrue, as the ultimatum was not submitted, conveyed or "laid down" in any shape or form by plaintiff's attorneys to Hobbs (R. 584, 688-9, 730).

On pages 16 and 17 of the petitioners' brief are the statements that "Larson's attorney confronted Larson with the disclosure and Larson appointed another attorney, M. K. Hobbs", that after the ultimatum had been "laid down" Hobbs "withdrew", and that later "Hobbs resumed representation of Larson." These statements convey the impression that Hobbs was playing fast and loose with his client. The actual facts are as follows: Larson, at Alberts' suggestion, "employed Hobbs to settle the interference with plaintiff and for no other purpose" (p. 34, *infra*). Alberts remained Larson's attorney of record in the Patent Office and he "did not withdraw his own appearance in the Patent Office" (p. 35-6, *infra*). Hobbs withdrew as settlement attorney only because he concluded that "all efforts of settlement had failed" (P. E. 33, R. 878) in view of circumstances related by the Court of Appeals (p. 35-6, *infra*). Petitioners' counsel pleaded compounding of perjury, etc. without inquiring of Hobbs as to the true facts (R. 600). They did consult with Hobbs shortly before the trial (R. 625-28) but did not call him as a witness. In order that no testimony or facts would be withheld from the District Court, respondents' attorneys subpoenaed Hobbs, who had represented Larson and Precision in the interference settlement negotiations.

On page 18 of their brief, petitioners' counsel state that plaintiff's attorneys instructed the reporter, who took the interference testimony, to deliver his notebooks over to Alberts and that the testimony was never fully transcribed. Standing alone these statements may imply that respondent's attorney was trying to do away with evidence. The Court of Appeals fully reviewed the facts and found "There is no merit in this [petitioners'] contention" (p. 41, 42, *infra*).

On page 19 of petitioners' brief is the statement that, after the settlement, Thomasma was "a frequent and intimate correspondent of plaintiff's attorney and president,"



and that after this suit was filed respondent paid Thomasma \$200.00 and gave him a second hand tool. The inference, if one was intended, that respondent and its attorney were bribing Thomasma is not commendable, particularly in view of the entire truth. Thomasma did considerable experimental work at his own home on various devices of the types Automotive was interested in. He was paid a shaping machine and \$200.00 for his "*sérvices, déburséments*" and expenses" in June 1942 (Receipt. Def. Ex. 27, R. 1020. There was no gift. The shaping machine was for use in making models for Automotive. The alleged "frequent and intimate correspondence", except for one exchange of letters between Thomasma and respondent, related to this work (R. 949-50, 1021 to 1032, 1034-36, 1039).\*

In the petition and supporting brief are positive statements that the District Court found that respondent and its attorneys "*learned*" or "*discovered*" that Larson had committed perjury (pp. 3, 8, 13). The District Court made no such finding. It simply found that the attorneys "*knew*" that Larson knew his interference proofs were "*insufficient*" (Finding 11, p. 26, *infra*). The Court of Appeals in its opinion specifically said (p. 40, *infra*):

"The court did not find that, on or before the contracts and assignment were executed, plaintiff or its attorneys *knew* that Larson's proofs were perjured. The defendants' requested finding No. 11 was to that effect, but the court's finding No. 11 substituted the word '*insufficient*' for the word '*perjured*'."

Petitioners' counsel do not face the true facts as found by the Court of Appeals. On the contrary, they attempt to

\*By implying an improper relation between respondent and Thomasma, petitioners' counsel may have hoped to counterbalance any taint that may have attached to Snap-On, Johnson and Alberts by reason of their interrupted relationships and dealings to the date of the trial, with the confessed perjurers, Larson and Carlsen (p. 39, *infra*).

support their position, that respondent "learned" of the perjury, by distorting the record and refraining from stating "all that is material to the consideration of" this matter, as we will now show.

On page 16 of their brief, petitioners' counsel quote but a small part of the letter of December 19, 1940 from respondent's attorney to Alberts, but they wholly fail to relate any of the facts or circumstances occasioning that letter. The Court of Appeals (p. 36-7, *infra*) quoted more of the letter and succinctly and accurately stated many of the attendant facts and circumstances—which are not challenged by petitioners' counsel in the petition or brief. They could not deny them, so they quote (Brief, p. 17) two questions and answers from the testimony of plaintiff's attorney and draw the astounding inference that the testimony disclosed "positive knowledge of Larson's admission that his proofs of priority to Zimmerman were false". They even go so far as to say (p. 19) that the testimony shows "irrebuttably positive knowledge of Larson's perjury before the settlement was effected". We say "astounding" because there is nothing in the quoted testimony about the proofs being false and petitioners and their attorney, Alberts, did everything possible to conceal the perjury from respondent and its attorneys, and to deny the confession which Larson had already made to Alberts and Johnson, Snap-On's president. That brings us to Alberts' letter of December 19, 1940 (R. 1063) which is very "material" but so embarrassing to petitioners that their counsel do not mention it.

Portions of the Alberts' letter are quoted by the Court of Appeals (p. 37, *infra*), which noted that Alberts wrote the letter "three weeks after he had heard Larson's confession." The letter is so significant that we requote por-



tions of what the Court of Appeals quoted and additionally quote a further sentence from the letter:

"The *only* evidence leading to any wrongdoing thus far was given to Mr. Johnson and myself at your office on November 28, 1940. *That evidence was given by an individual who has already admitted that he has committed wrongdoings against your client, himself, and Larson* (R. 1064).

"*I certainly do not regard Mr. Thomasma as an individual of such repute that his uncorroborated words are deserving of being accepted hook, line and sinker. Present corroboration of the competent type with sufficient competency to outweigh Larson and his corroborators, and then your client is entitled to an award of priority. Beyond that I do not care to discuss any further phase of the case for the present*" (R. 1066).

"He [Larson] still is entitled to counsel and I do not expect you will deny that the Bill of Rights and the Constitution of the United States afford him the privilege even if everything Thomasma has said should be taken as the gospel truth (*which is quite a swallow for anyone*)" (R. 1067).

Obviously, Alberts with the knowledge of Johnson, Snap-On's president (R. 458), was deliberately deceiving respondent's counsel about Larson's confession to them. And to lend support to their misrepresentation, Alberts pointed out that Thomasma, respondent's former traitorous employee and Larson's revengeful co-conspirator, was unworthy of belief and that his word could not stand against the interference testimony of Larson and his eight witnesses. This was also the view of respondent's attorneys.

As stated by the Court of Appeals (p. 40, *infra*) respondent's attorneys

"did not think that the uncorroborated evidence of their traitorous former employee would be accepted as against Larson's nine witnesses. This was Albert's opinion, as expressed in his letter to plaintiff's attorneys on December 19, and also the opinion of those disinterested persons whom plaintiff's counsel consulted."

And petitioners do not inform this Court that respondent's attorney testified (R. 699) and Alberts admitted at the trial (R. 431) that, upon receiving Alberts' letter, respondent's attorney advised Alberts that the latter had misconstrued the December 19 letter of respondent's attorney and that he was making no accusations in that letter.

And petitioners' counsel do not inform this Court of the opinions "of those disinterested persons whom plaintiff's counsel consulted", advising against taking the matter to the Patent Office or the District Attorney. The Court of Appeals (p. 33, 34, *infra*) sets forth the substance of the opinion of one "outside attorney of good standing and large experience". The opinion of another attorney to the same effect is found on pages 825-6 of the Record.

And too, petitioners' counsel do not inform this Court that, as found by the Court of Appeals (p. 33, *infra*), that:

"Automotive, after protracted efforts and considerable expense, was unable to secure anyone who would verify Thomasina's statements; but it learned from its investigation that Larson and Thomasina were then unfriendly and that Larson and Carlsen were trying to force Thomasina out of Precision."

As a matter of fact, the investigation by outside investigators, who could not find anyone who would verify Thomasina's statements (R. 277-78), cost nearly \$5,000.00, the effort and expense per week were about doubled after Thomasina made his statement to respondent's attorney, and even after the agreements were reached the investiga-

tion was continued for two weeks at an expense of \$565.00 (D. E. 26, R. 1020). Respondent's attorney personally interviewed several persons without success (R. 757-59).

Petitioners' counsel would have this Court believe that respondent "demanded and procured" the interference settlements by reason of "documentary proof of the perjury" (Petition p. 7). We have already shown that respondent did not know of the perjury, and had no documentary proof of it. And the assertion that respondent "demanded" the settlement is likewise not true ~~as established by the Record~~. It was Hobbs, at the suggestion of Alberts, who made the first suggestion of settlement and who first made a definite proposal (p. 35, *infra*). Respondent was agreeable to accepting only a simple concession of priority (R. 731), but it was not given. Snap-On held title to the Larson application. Snap-On and Alberts, to whom Larson had already confessed his perjury, haggled for terms and notified respondent's attorneys and Hobbs that Larson would not be allowed to file a concession of priority unless the terms were met, and Alberts wrote Snap-On "My effort all along has been to stiffen Larson's position so that he would not leave Snap-On . . . holding the bag—contract or no contract . . ." The findings of the Court of Appeals (p. 35-7, *infra*), on these matters are wholly ignored by petitioners' counsel.

Petitioners' counsel, by asserting that respondent "demanded" a settlement, apparently hope, merely by way of innuendo, to convey the impression to this Court that respondent and its attorneys employed duress in connection with the settlement, notwithstanding that petitioners' counsel did not ask the District Court to make any such finding (R. 1117-20), the District Court made none, and the Court of Appeals found that there was no duress (p. 40, 41, *infra*). The Court of Appeals specifically found that

Alberts' "inferences" of threats were "mere products of his imagination" and that Johnson had testified that "neither he nor his company was coerced into signing the agreement either directly or indirectly". Furthermore, the Court of Appeals pointed out that respondent's attorneys and Hobbs denied there were any threats. Respondent and its attorneys had no contact or communication with the perjurers Larson and Carlsen, except that one of respondent's attorneys attended the taking of Larson's and Carlsen's interference testimony. And as said by the Court of Appeals (p. 41, *infra*)

"Moreover, Larson testified that the agreement contained somewhere near a reasonable settlement, and his attorney Hobbs said that it was a fair one, and so advised him when he signed it."

Still further, the settlement terms did not differ materially from those initially proposed by Hobbs (p. 35, *infra*). Respondent received title to the Larson application in lieu of the royalties which had been initially proposed by Hobbs.

#### **Petitioners' Distortion of the District Court's Findings, Memorandum and Court of Appeals' Opinion.**

Petitioners' counsel clearly (Pet. p. 6) are in error in stating that:

"The Court of Appeals ignored the salient facts that the Larson patent was conceived in fraud and supported by repeated fraudulent oaths of the applicant in the United States Patent Office."

We have already shown (p. 3, *supra*) that the Court of Appeals found *on the facts which it recites*, that the patent was *not* conceived in fraud. As to the two false Larson oaths, prepared by Alberts and filed in the Patent Office, the Court of Appeals certainly did *not* "ignore"

them (p. 32, *infra*) and those oaths had to do only with the interference claims suggested by the Patent Office to Larson and adopted for interference purposes, and which were later cancelled from the Larson application (Finding 14, p. 27, *infra*).

On page 15 of petitioners' brief, their counsel erroneously say that the District Court "found expressly" in Finding 10 (p. 26, *infra*), "that Larson would have prevailed in the interference if his claimed dates and the proofs taken by deposition in support thereof were true". All the Court found was that if the proofs were true Larson "would have proved priority of invention two or three years earlier than Zimmerman", which is a very different thing from holding he would have prevailed. Larson claimed he reduced to practice in 1934 and he did not file until over four years later and long after Zimmerman had filed. There was therefore a serious question of abandonment (R. 813-4, 1084-85) and his proofs could have been "insufficient" for that reason. It is most significant that the Court's Finding 10 is the same as petitioners' proposed Finding 10 (R. 1120) *except* that the Court *refused* to find further, as requested by petitioners, that "there was no occasion for Larson's concession of priority to Zimmerman and the agreements of December 20, 1940, unless Larson admitted the falsity of his proofs."

The burden of petitioners' attack upon the opinion of the Court of Appeals, as appears throughout the petition and supporting brief, is founded upon the assumptions that (1) the District Court's finding in its Memorandum that "Hobbs did not testify falsely" was a "random observation" or "remark" (Petition p. 6, B. p. 22), that (2) the "observation" was in conflict with the District Court's Findings of Fact (Pet. p. 6, B. p. 22), and that (3) the Court of Appeals reached its conclusion "by a tortured argument based upon" the "observation" (Pet. p. 5), and "treated

this 'Memorandum' as an opinion superseding the explicit findings of fact filed at the same time" (Pet. pp. 6, 7) and consequently "scrapped all of the findings of fact of the District Court" (Pet. p. 6, B, pp. 20, 22). *These assumptions are utterly without foundation.*

We do not understand how petitioners' counsel could seriously characterize as a "random observation" or "remark", the District Court's special finding that "Hobbs did not testify falsely". The Memorandum, except for the withdrawal of the oral opinion, was confined to that matter. The finding was made only after the Court had "re-examined the record", as stated in the Memorandum. The Memorandum was entered simultaneously with the findings of fact. And petitioners' contention that the special finding in the Memorandum was in conflict with "explicit" findings of fact is also self-evidently without foundation. In not one of the Findings of Fact did the District Court pass upon the credibility of Hobbs or any other particular witness.

Certainly of the seventeen Findings, the Court of Appeals did not "scrap" Findings 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 12, 13, 14, 15 and 17, as is perfectly manifest from the opinion which analyzes and finds in considerably greater detail than did the District Court practically all of the facts stated in those findings. Indeed, the Court of Appeals did not "scrap" Finding 11 either. It is petitioners' counsel who misconstrue Finding 11, which at best is merely a fact conclusion or deduction and not a *fact* finding. The Court of Appeals did reject "Finding" 16. That so-called finding is not a *fact* finding; it is merely a conclusion or deduction of mixed law and fact and as such was subject to review. The District Court's fact findings themselves do not support the fact conclusion expressed in Finding 16, as stated and held by the Court of Appeals. Obviously this "Finding" 16 was not "scrapped" by the Court of Appeals



by a "tortured argument" based upon the special finding in the District Court's Memorandum that Hobbs had told the truth. And manifestly, the Court of Appeals did not treat this special finding as "superseding" the findings of fact.

What the Court of Appeals did in its opinion was exactly this: It first (to the middle of page 30, *infra*) stated the issues, as joined by the pleadings, and referred to the trial and the District Court's Memorandum, Findings of Fact and Conclusions of Law and the Judgment, all without comment. It then devoted and confined the next nine pages of its opinion (ending with the middle of p. 40, *infra*) to a careful and exact exposition of the facts as to the matters dealt with in the District Court's fact findings and as to the only conclusion upon which the judgment was based, i.e., respondent's unclean hands by reason of its silence. Concerning this issue the Court of Appeals found that respondent's hands were not unclean (p. 40, *infra*), stating "We are convinced that the findings of fact, *with respect to plaintiff*, are *not* supported by substantial evidence" (p. 43, *infra*). Throughout these nine pages (ending in the middle of page 40, *infra*) no reference of any kind is made to the District Court's Memorandum finding that Hobbs had told the truth. In the next two pages of its opinion (beginning with the middle of p. 40, *infra*) the Court of Appeals meticulously analyzes the facts as to the criminal charges of compounding a felony and coercion pleaded against respondent and its attorneys. *It is only in connection with those charges that the Court of Appeals discussed the Memorandum and gave weight to the special finding that "Hobbs did not testify falsely,"* as supporting its own independent conclusion that (p. 42, *infra*)

"We are convinced that the contradicted testimony of Larson, Carlsen, Alberts and Johnson has no probative value and cannot be considered as substantial evidence in the light of this record."

Naturally the Court of Appeals took into account that Carlsen and Larson were perjurers. The Court also re-

ferred (p. 41, *infra*) to Alberts' testimony as being "quite inconsistent" and based in part on "his imagination", and noted that Johnson testified neither he nor Snap-On were "conceded \* \* \* directly or indirectly."

We also may well mention the following facts: Alberts, with Johnson's backing, first pleaded (R. 71), solely on behalf of Snap-On, the alleged compounding of felony, though it might send his former client, Larson, to the penitentiary. Alberts accused Thomasma's attorney of having spoiled Larson's chances in the interference (R. 859 to 861). Alberts testified that "the first time I ever employed" Raftery, the reporter, was in connection with the Larson interference" (R. 447), and this was untrue (R. 663). Alberts and Johnson, after Larson had confessed his perjury to them, did everything they could "to stiffen Larson's position", and prevent him from filing in the Patent Office a simple concession of priority to which they knew Zimmerman was entitled and which would have ended the interference (Opinion, bottom p. 36, *infra*).]

The District Court entered no findings on petitioners' criminal charges and petitioners requested none, and therefore it inevitably follows that the facts found by the Court of Appeals and its conclusion that the charges were without merit, could not be in conflict with the Findings of Fact entered by the District Court. Petitioners do not even challenge in their petition or brief the Court of Appeals' fact findings and conclusions as to these charges.

### **Re Petitioners' Authorities.**

It is manifest from what we have just said, that the authorities (B. pp. 20, 21), which petitioners' counsel cite and quote from to the effect that the Appellate Court is "not at liberty to refer to the opinion for the purpose of eking out, controlling or modifying the scope of the findings,"



have no application to the true facts present here. Those authorities therefore merit no discussion except possibly to note that in *Webb v. Frisch*, 111 Fed. (2d) 887 (C. C. A. 7th) cited on page 24 of petitioners' brief, the District Court made findings as to a prior use and in a separate "memorandum" made specific findings as to the truthfulness of two witnesses and the Court of Appeals gave the testimony the "credibility and weight which the District Court attached to it" in the "memorandum" (p. 888).

And it is equally clear that the labored proposition and argument (B. p. 21-22) that the decision of the Court of Appeals violates Federal Rule 52a and is in conflict with decisions of other courts, is without foundation. In the instant case the Court of Appeals properly overthrew the fact conclusion with respect to respondent's unclean hands because it was "not supported by substantial evidence" (p. 43, *infra*) and was therefore "clearly erroneous," under the Rule. And correspondingly the Court of Appeals overthrew conclusions of law because they were "not supported," by the findings of fact (p. 15, *infra*). Therefore the Court of Appeals' decision is wholly consistent and in accordance with the provisions of Rule 52a and many cases thereunder.

"The findings of fact of the court below to the extent that they are unsupported by substantial evidence, or are clearly against the weight of the evidence, or were induced by an erroneous view of the law, are not binding upon this Court." *Aetna Life Ins. Co. v. Kepler*, 116 Fed. (2d) 1, 5 (C. C. A. 8th).

"The sufficiency of the evidence to sustain a trial court's conclusion or finding of an ultimate fact remains appropriate matter for an appellate court's consideration." *Kuhn v. Princess Lida*, 119 F. (2d) 704, 706 (C. C. A. 3rd).

And certainly with respect to the Court of Appeals findings and conclusions as to the criminal charges—upon which

the District Court made no findings—the Court of Appeals in giving weight to the District Court's special finding that Hobbs did not testify falsely, properly complied with the express provision of Rule 52a that “due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses.”

Petitioners conclude their brief on page 24 with the assertion that the Court of Appeals' opinion is in conflict with its own application of Rule 52a in *Webb v. Frisch*, 111 Fed. (2d) 887, and then they pose an involved question as to the power of the Court of Appeals to “substitute its judgment of the credibility of the witnesses” when the District Court had “reported” that the testimony was in “irreconcilable conflict”. Finally they state that this is “an important question of federal procedural law which this Court has not decided and should decide”.

There is no conflict between the Court of Appeals' opinion here and its opinion in the *Webb* case because in the opinion here the Court of Appeals, in giving weight to the District Court's special finding that Hobbs had not testified falsely, fully conformed to what it said in the *Webb* case, as follows:

“We must attach to the testimony of witnesses the full weight and quality of credibility which the trial court gave it”.

Certainly the Court of Appeals did not “substitute its judgment of the credibility of the witnesses” for the judgment of the District Court, which made no specific findings other than that in its Memorandum, as to the credibility of any witness.

It cannot be, as petitioners perhaps intend to postulate, that the irreconcilability found by the District Court was disregarded by the Court of Appeals, because the opinion of that Court shows the contrary, as demonstrated by petitioners' own quotation from that opinion in the following passage appearing on page 24 of petitioners' brief:

"The Circuit Court of Appeals itself found 'conflicts in the evidence' which 'cannot be reconciled so as to believe all the testimony of these three witnesses.'"

Indeed, it was the finding by the District Court "that Hobbs did not testify falsely" which led the Court of Appeals to speak as in the quotation petitioner uses, followed by the statement:

"However, the District Court informs us that Hobbs told the truth, and it is our duty to disregard all other evidence which cannot be reconciled therewith."

So what can be the "important question of federal procedure which this Court has not decided and should decide"?

Petitioners in contending (Pet. pp. 7, 8, 9, B. pp. 11, 13) that the Court of Appeals' decision, "reversing the findings of unclean hands is in direct conflict" with other decisions, apparently relies primarily on the *Driller* case, (*Keystone Driller Co. v. General Excavator Co.*, 290 U. S. 249). Petitioners' counsel found it necessary, however, to dress up their proposition and the first of the "Questions Presented" with the unwarranted premises that the Larson patent was conceived in fraud and respondent had "learned" of the perjury and demanded and procured the settlement in view of it. The District Court did not so find and the Court of Appeals found there was no substantial evidence supporting petitioners' premises. The real ulterior purpose of the petition, dressed up as it is, is to seek a review of the Court of Appeals' opinion as to the evidence on these matters and have this Court readjudicate the case on the facts, notwithstanding that this Court has repeatedly and consistently held that it will not grant, for such purpose, a petition for writ of certiorari. (*Southern Power Co. v. North Carolina Public Service Co.*, 263 U. S. 508; *United States v. Johnston*, 268 U. S. 220, 227.)

If it were assumed, *arguendo*, that respondent had "learned" of the perjury and thereafter remained silent, the *Driller* case still would not be in point. In that case, this Court decided that respondent's hands were unclean because respondent had used, as a basis for a preliminary

injunction, a decree which declared one of the patents to be valid and which had been entered in a prior suit in connection with which plaintiff had paid for and suppressed prior use evidence. It was because of the misuse of the decree that this Court found that respondent's hands were unclean as to the several patents in suit. In the instant case, the present respondent was not guilty of any fraud or crime nor did it deceive or attempt to deceive any Court or the Patent Office. It was Larson and his associates who committed the perjury and respondent and Zimmerman had no hand in it.

Furthermore, the present case is distinguishable from the *Driller* case in that in the present case the alleged misconduct of respondent, claimed to constitute unclean hands, bore no relation whatever to the issues of validity and infringement of the patents in suit or to the issues of validity and breach of the contracts. Plaintiff's alleged failure and its public duty to inform the authorities in no way affects the equitable or legal rights between the parties on any of the patent or contract issues.

This Court and other Federal Courts, as well as the Courts of Illinois\* are in accord that the alleged misconduct, constituting unclean hands, must have been in regard to the subject matter in litigation and must have affected the equitable rights between the parties to the litigation. The Rule is well expressed by this Court in the very *Driller* case, relied upon by petitioners, as in that case the Court said (p. 245):

*"But courts of equity do not make the quality of suitors the test. They apply the maxim requiring clean hands only where some unconscionable act of one coming for relief has immediate and necessary relation to the equity that he seeks in respect of the matter in litigation. They do not close their doors because of plaintiff's misconduct, whatever its character, that has no relation to anything involved in the suit, but only for such violations of conscience as in some measure affect*

\**Feist, Inc. v. Young*, 138 Fed. (2d) 972 (C.C.A. 7th); *Carpenters' Union v. Citizens Committee*, 333 Ill. 225; 249 50; *Fagan v. Rootberg*, 320 Ill. 586, 596.

*the equitable relations between the parties in respect of something brought before the Court for adjudication.* Story id. See. 100.<sup>2</sup>

Furthermore, in the *Driller* case the fraud practiced by the respondent was wilful and intentional. In the instant case, on the other hand, even if it is assumed that the suspicion of respondent's attorneys should have required them to take the matter up with the proper authorities, their view to the contrary, as supported by the advice of competent outside counsel, was at most a misapprehension of legal responsibilities. The authorities are predominantly to the effect that conduct carried on in good faith and which is not wilful or intentional, as distinguished from mistake, inadvertence or misapprehension of legal rights or responsibilities, does not constitute unclear hands.\*

The petitioners also cite *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U. S. . . . in support of their unfounded proposition. The facts of that case were very similar, indeed, to those of the *Driller* case and it does not support petitioners' proposition for exactly the same reasons. Indeed, in this *Glass* case, this Court did grant the relief sought by Hazel-Atlas which, after it had acquired at least as much information as to Hartford-Empire's fraud in the Patent Office as respondent had of Larson's perjury, settled the patent controversy and remained silent for ten years. In the instant case, very shortly after petitioners pleaded Larson's perjury, respondent's counsel called the matter to the attention of the District Court, as noted in the opinion of the Court of Appeals (p. 39, *infra*).

The Courts have consistently applied the rule of "moral estoppel" to prevent one from profiting by his own wrong particularly where, in comparison with the conduct of another, to so do would countenance morally reprehensible

\* *Ohio Oil Co. v. Sharp*, 135 Fed. (2d) 303, 308-9 (C. C. A. 10, 1943); *Layetta et al. v. First Nat. Bk. of Mobile*, 178 So. Rep. 3, 6 (Sup. Ct. Ala., 1937); *Valley Smokeless Coal Co. v. Manufacturers Water Co.*, 153 Atl. Rep. 327, 329 (Sup. Ct. Pa. 1930); *Green v. Feder*, 57 S. W. Rep. 519, 525 (Ct. of Ch. App. Tenn. 1900); *Steen Electric Corp. v. Herzfeld-Phillipson Co. et al.*, 118 Fed. (2d) 122, 127-8 (C. C. A. 7th 1940); *Fidelity & Deposit Co. v. Grand Nat. Bk.*, 69 Fed. (2d) 177, 183 (C. C. A. 8th).



acts thus resulting in greater offense to morals, good conscience and public policy.\* A court will not aid a litigant in the promotion of fraud and, where good conscience requires it, will apply the rule that where the parties are not *in pari delicto*, relief should be given the one that is comparatively innocent. It is axiomatic that a Court under such circumstances will not invoke a maxim of equity to defeat equity.

The other two cases cited by petitioners' counsel. (B. p. 9) the *Morton Salt Co. v. Suppiger Co.*, 314 U. S. 488 and *Meredith v. Winter Haven*, 320 U. S. 228, are obviously not in point. In the *Salt* case, the patent owner was operating outside of the patent monopoly by controlling the sale of unpatented salt tablets. In the *Meredith* case, the sole question was whether the Court of Appeals rightly declined to exercise its jurisdiction in a suit arising with respect to bonds issued by the city of Winterhaven and there was no issue of unclean hands.

### CONCLUSION.

We submit that there are no "special and important reasons" for granting the present petition,—certainly none of the character of those specified in Rule 38 of this Court, nor can we see that there is any other reason advanced that gives petitioner any standing here. We submit that the petition is wholly without merit and should be denied.

Respectfully submitted,

FRANK PARKER DAVIS,  
Attorney for Respondent.

ALBERT J. SMITH,  
Of Counsel for Respondent.

Chicago, Illinois,  
September 8, 1944.

\**Feist, Inc. v. Young*, 138 Fed. (2d) 972 (C.C.A. 7th); *In Re Wilkins Estate*, 211 N. W. Rep. 652, 655-56 (S. C. Wis.); *Harris v. Harris*, 93 So. Rep. 841, 844 (S. C. Ala.); *Boston & Worcester E. R. Corp. v. Dana*, 67 Mass. Rep. 83, 99; *Woodall v. Peden et al.*, 274 Ill. Rep. 301, 306; *Kapalos et al. v. Gages et al.*, 242 Ill. App. 302, 306-7.



## APPENDIX.

IN THE UNITED STATES DISTRICT COURT.

• • (Caption 4382 and 4451) • •

## FINDINGS OF FACT AND CONCLUSIONS OF LAW.

This cause, Consolidated of Civil Actions No. 4382 and 4451, having come on to be heard for the entry of Findings of Fact and Conclusions of Law, and the Court having heard testimony herein for nine days, and having heard argument of counsel, the Court hereby enters the following Findings of Fact and Conclusions of Law:

## Findings of Fact.

The Court finds as facts that:

1. Civil Action No. 4382 was brought as a suit in equity by plaintiff for infringement of three United States Letters Patent, respectively, Larson No. 2,279,792, Zimmerman No.



2,269,563 and Zimmerman Reissue No. 22,219 (formerly No. 2,283,888), all for Torque Wrenches, and to enforce a certain contract entered into between the parties hereto on December 20, 1940, in settlement of Patent Office Interference (No. 77,565) involving the three applications for the respective patents sued upon.

2. Among other defenses, defendants pleaded that, during the Interference proceedings the party Larson testified falsely with respect to the dates of making a certain drawing (Larson, Interference Exhibit 27,—Defendants' Exhibit 9), and certain models (Defendants' Exhibits 7, 8) which were material and critical evidence upon the issues of the Interference, that plaintiff and its agents were aware that the testimony was false, and that plaintiff employed this knowledge, with threats of prosecution for perjury, and promises of suppression of the evidence, to procure the execution of the contracts in suit, payment to plaintiff of the sum of \$500.00, and the transfer to plaintiff of the application for the Larson patent in suit, and plaintiff did thereafter suppress the evidence of the perjury and withhold making complaint to the proper officers, thereby compounding a crime, rendering the contracts in suit null and void, and infecting plaintiff's cause of action with unclean hands requiring its dismissal.

3. Civil Action No. 4382 was consolidated for trial with the suit of Snap-On Tools Corporation *vs.* Automotive Maintenance Machinery Co., Civil Action No. 4451, for declaratory judgment upon the same patents and a corresponding contract dated December 20, 1940, between those corporations, also executed in settlement of the Interference, in which the same defense was pleaded. Automotive, respondent in Civil Action No. 4451, filed a counterclaim against Snap-On (considered a defendant in the consolidated cause) charging infringement of said three patents mentioned in Paragraph 1 hereof, and also charging infringement of Patent No. 1,936,912. The defense of unclean hands was ordered tried separately from the patent issues made by the pleadings, in both Civil Action No. 4382 and Civil Action No. 4451, and these Findings of Fact and Conclusions of Law are entered upon the conclusion of that separate trial and are applicable to both of said causes.

4. Testimony has been heard in open court for nine days. All of the attorneys who concluded the agreements

of December 20, 1940 in suit, the presidents of the three corporations involved, and many other witnesses have been heard. The testimony is in many respects in direct conflict, both with testimony of other witnesses, pre-trial testimony, and the many documents in evidence.

5. That there was perjury in the Interference upon a material issue is pleaded, proven and conceded. Larson's evidence in that proceeding sought to establish a date of conception and reduction to practice in 1934, three years before he had done any work on the subject matter of the Interference, and almost three years before the earliest date claimed by Automotive through its inventor, Zimmerman.

6. Exposure of Larson's claimed dates in his Preliminary Statement led to expressions of disbelief by plaintiff's Attorney, an extensive investigation by private detectives, and the disclosure that one of the organizers, stockholders and officers of Precision Instrument Manufacturing Company (one George B. Thomasma) was a former employee of plaintiff and close associate of Zimmerman. Before Larson's testimony in the interference was concluded, Thomasma sought out plaintiff's president and revealed that he had brought the invention which was the subject matter of the interference to Larson.

7. Within a week after Larson's proofs in the Interference closed, plaintiff's attorney had procured an eighty-four page statement from Thomasma (called in the trial the Thomasma affidavit), subsequently sworn to on November 15, 1940, which related in extensive detail the statements of Thomasma with respect to Larson's early work and disclosed such intimate knowledge thereof as to leave little doubt of the author's knowledge of the facts. In that statement, Thomasma claimed authorship in 1938 of the drawing offered by Larson as the work of a high-school boy in 1936 and introduced as proof of Larson's early work, and at the same time, Thomasma produced other drawings later submitted to a handwriting expert by plaintiff, as proof of his claim.

8. Within a week after the execution of the Thomasma affidavit, plaintiff's attorney informed Larson's patent attorney of the information disclosed in the Thomasma affidavit and a week later Thomasma was examined orally in the office of plaintiff's attorneys before the president and attorney of Snap-On Tools Corporation (Petitioner in

Civil Action No. 4451, and sole outlet for Precision Instrument Manufacturing Company). Thereupon Larson was called before Snap-On's president and patent attorney (who had conducted the Interference proceedings on behalf of Larson) and explanation demanded. Larson admitted his perjury and was told to procure other counsel. Up to the time that Larson was confronted with and admitted perjury to his patent attorney, no one else up to that time was involved with that perjury.

9. Larson procured other counsel who immediately undertook efforts at settlement on his behalf. A number of meetings were held between the attorney for Snap-On, the attorney for Larson and Precision Instrument Manufacturing Company, and attorneys for plaintiff, a draft agreement was considered, the negotiations were once broken off, but were subsequently resumed and concluded on December 20, 1940 when the two agreements of that date, sued upon, were executed. By the terms of the Automotive-Precision-Larson contract (Defendants' Exhibit 4) Larson conceded priority to Zimmerman as to the common subject matter disclosed in the Larson and Zimmerman applications. The Larson application was assigned to Automotive. Precision paid \$500 to Automotive. Automotive licensed Precision and Larson to complete unfilled orders from Snap-On to the extent of approximately 6000 wrenches, any wrenches in excess of that number to bear a royalty of 10%. Automotive released Precision and Larson and their customers from liability for infringement by reason of the manufacture and use of previously sold wrenches and gave Precision and Larson a complete and general release as to all civil damages. Precision and Larson acknowledged validity of the claims of the patents to issue on the Zimmerman and Larson applications. The manufacture of wrenches for the unfilled orders was not completed until October, 1941.

10. The oral testimony in this consolidated cause is in irreconcilable conflict. It does disclose that if Larson's proofs in the Interference had been true, he would have proved priority of invention two or three years earlier than Zimmerman.

11. The proofs establish that the attorneys who concluded the settlement knew before and certainly on December 20, 1940, that Larson knew his Interference proofs were insufficient.

12. On December 26, 1940, plaintiff's attorney wrote the reporter who had reported the Larson Interference testimony, to deliver the remainder of the transcribed record and the notebooks (containing also some untranscribed notes) to Larson's attorney, who had engaged the reporter.

13. Not one of the parties or attorneys involved in the Larson-Zimmerman Interference settlement had taken any steps to inform the proper officials of the perjury in that proceedings until the defense of unclean hands was pleaded in the two cases now consolidated.

14. Plaintiff procured the Larson patent in suit (but not with the interference claims therein) by continuing the prosecution of the Larson application assigned to plaintiff in settlement of the Interference on December 20, 1940.

15. Plaintiff procured the contracts which it now seeks to enforce in these cases (the two cases now consolidated) in settlement of the Interference on December 20, 1940.

16. Plaintiff's conduct in remaining silent after securing the Thomasma affidavit and in seeking to exploit the contracts and patent application procured in the settlement of the Larson-Zimmerman Interference, has so infected its causes of action with unclean hands that a court of equity cannot entertain the suit or any prayer for relief on plaintiff's behalf.

17. Petitioner (Snap-On) in Civil Action No. 4451, claiming under and by virtue of Larson, must be denied relief on the same grounds.

*Conclusions of Law.*

I. This court has jurisdiction of the parties hereto and of the subject matter of Civil Actions Nos. 4382 and 4451.

II. Plaintiff comes into this court with unclean hands in Civil Action No. 4382.

III. The Amended and Supplemental Complaints in Civil Action No. 4382 are ordered dismissed.

IV. Petitioner comes into this Court with unclean hands in Civil Action No. 4451.

V. The Petition and Amended Petitions in Civil Action No. 4451 are ordered dismissed.

VI. The Counterclaims by respondent (plaintiff here) in Civil Action No. 4451 are ordered dismissed.

VII. There will be no award of costs.

Igoe.

*United States District Judge.*

July 12th, 1943:

IN THE

**United States Circuit Court of Appeals**

FOR THE SEVENTH CIRCUIT.

No. 8392.

OCTOBER TERM, 1943, APRIL SESSION, 1944.

AUTOMOTIVE MAINTENANCE MACHIN-  
ERY COMPANY,*Plaintiff-Appellant,*

vs.

PRECISION INSTRUMENT MANUFAC-  
TURING COMPANY, KENNETH R.  
LARSON and SNAP-ON TOOLS COR-  
PORATION,*Defendants-Appellees.*Appeal from the Dis-  
trict Court of the  
United States for  
the Northern Dis-  
trict of Illinois,  
Eastern Division.

June 26, 1944.

Before SPARKS and MAJOR, *Circuit Judges*, and LINDLEY,  
*District Judge*.

SPARKS, *Circuit Judge*. On June 15, 1942, plaintiff charged Precision Manufacturing Company, Kenneth Larson, and Walter Carlsen with infringement of United States patents to Larson, No. 2,279,792, and to Zimmerman, No. 2,283,888. By amended petition filed November 30, 1942, it further charged infringement of reissue patent No. 22,219, of which patent No. 2,269,503 was the original. These patents were issued, respectively, on April 14, May 19, and November 3, 1942, on applications filed respectively on October 1, 1938, November 22, 1937, and May 31, 1938. All of them relate to torque wrenches, and the applications were assigned to plaintiff.



The joint amended answer of the defendants, filed February 8, 1943, alleged that the defendant Larson had committed perjury by filing a false affidavit with the Commissioner in support of his patent, in an interference proceeding between that patent and the Zimmerman patent No. 2,283,888; that plaintiff knew of that perjury prior to December 23, 1940, and failed to divulge it to the proper authorities; that by reason of that knowledge it threatened the defendants with criminal prosecution unless the defendants would sign the contracts hereinafter referred to, and it promised defendants that it would suppress such evidence of perjury as it had, if defendants would sign the contracts; that under and by reason of those circumstances they signed the contracts against their will; that those contracts were unreasonable and unconscionable and their execution by defendants was procured by the inequitable conduct of plaintiff by which its hands were soiled to such an extent that its bill of complaint should be dismissed.

July 6, 1942, Snap-On Tools Corporation filed a petition for a declaratory decree relating to the controversy with respect to the Larson patent and the contract of December 20, 1940, which plaintiff and the defendants, Larson and Precision, had signed. In final form, by amended petition filed March 1, 1943, the facts therein alleged are substantially the same as set forth in the answers in the other suit. Automotive by way of answer and counterclaim set forth substantially the same allegations, and demanded practically the same relief as demanded in its original action.

By agreement, the two cases were consolidated for hearing on the sole question of inequitable conduct, and voluminous evidence was heard. At the close of the arguments, the District Court rendered an oral opinion on May 21, 1943, which is not in this record, and on July 12, 1943, it filed its special findings of facts, and rendered its conclusions of law thereon. At the same time it filed the following:

**"Memorandum.**

"In this case, the court rendered an oral opinion at the closing of the arguments. At the request of M. K. Hobbs, an attorney who testified in the case, the court has re-examined the record.

"It is not the intention of the court that the statements in the opinion should be construed as implying

that Mr. Hobbs had willfully given false testimony or had been guilty of professional misconduct. Accordingly, the oral opinion is withdrawn and is not to be filed as a part of the record. The Court has entered written findings and conclusions. It appears from an examination of the record that the witness Hobbs did not testify falsely; that he has adhered to the rules which govern the relations existing between attorney and client and that he was not guilty of any professional misconduct or criminal act."

Upon the conclusions of law, and consistent therewith, the court rendered judgment dismissing the complaint, the amended and supplemental complaint of the first action, and the petition, amended petitions and the counterclaims of the second action, all for want of equity. It further ordered that there should be no award for costs. From that judgment Automotive has appealed. Plaintiff and the corporate defendants, including Snap-On, which is considered as a defendant herein, will be hereafter referred to respectively by the first word of their corporate names.

Prior to 1938, Automotive was engaged in the production of a torque wrench invented by Zimmerman, one of its employees, and Snap-On was one of its customers for that wrench.

In 1938, George Thomasma, one of Automotive's trusted employees, who was fully acquainted with its wrench business and with the Zimmerman developments, secretly gave information to the defendant Larson, and they, with one Carlsen, cooperated to establish a competing business with Automotive. Snap-On was approached by Larson with respect to its taking on the wrench which had been developed by him and Thomasma from the Automotive wrench.

On October 1, 1938, Larson filed his application for his patent above referred to, by Alberts, who was then attorney for both Larson and Snap-On. The application was assigned to Snap-On under the terms of an agreement between them dated September 28, 1938.

At that time the application did not claim anything that was common to the Zimmerman and Larson wrenches, but the claims, as interpreted by the disclosure, were limited to a detail which comprised a tail-piece for operating a gauge mechanism. This, we think the evidence clearly dis-



closes, was Larson's contribution, and it was so asserted at the trial by Alberts.

R. 838-9 On October 18, 1938, Alberts, Snap-On's patent attorney, had Larson execute for Snap-on an affidavit to the effect that no employee or ex-employee of any competitor of Snap-On had anything to do with the development of his wrench, or would be associated with Larson in the enterprise; that he alone had invented it; and that no other individual had contributed any concept or feature of it.

R. 836 On October 26, 1938, Snap-On supplied Larson with a letter promising to place with him an order for a quantity of those wrenches. Larson thereupon solicited financial support for the enterprise which was calculated to take away from Automotive its wrench account with Snap-On, and in December 1938, Precision was incorporated. Larson and Thomsma were given stock for the work they had done on the wrench, and Carlsen was given stock for his services, and he also paid cash for some. Larson became president of that corporation, Thomsma was made vice-president, and Carlsen was made secretary and treasurer. The three comprised the board of directors, and Automotive's entire business from Snap-On was taken away by Precision.

R. 494-7 Wacker, president of Automotive, had heard rumors that Thomsma, then in its employ, was one of the incorporators of Precision, and, without authority, had removed from the Automotive plant some tools and wrenches. In June 1939, he confronted Thomsma with those rumors. Thomsma denied his connection with Precision, but admitted he had removed some wrenches. Thereupon Wacker discharged him.

R. 751-2 On August 31, 1939, the Patent Office suggested to Larson certain claims appearing in the Zimmerman application. Thereupon, Larson through Alberts copied the broad Zimmerman claims in his application, and the Patent Office declared an interference on October 11, 1939, on the counts comprising those claims copied from Zimmerman.

R. 1084 At the request of the Patent Office, Larson, under oath on August 5, 1940, gave the dates of his conception, disclosure, drawing, description and reduction to practice. Those dates were false and antedated Zimmerman's from one to three years.

R. 747-8 Within a day or two after receiving a copy of Larson's preliminary statement as to his dates, Automotive author-

ized its attorney to conduct an examination of the facts alleged therein. For that purpose he employed an investigator who had performed similar work for him in years past.

Larson was required to produce his evidence first. Nine witnesses, including himself, were examined, and considerable documentary evidence and physical exhibits were received in evidence on his behalf, the hearing of which began October 24 and ended November 4, 1940. It substantiated Larson's early dates, and cross-examination failed to discredit it.

On November 3, 1940, the day before Larson closed his proofs, Thomasma and his attorney attempted to sell Thomasma's Precision stock to Wacker, president of Automotive. He then asserted that he had given Larson the idea of developing a wrench from the Automotive wrench, but he disclosed no specific facts with respect thereto. Wacker refused the offer.

On the evening of November 7, 1940, Thomasma voluntarily went to the home of Fidler, the attorney for Automotive, and also returned there the following evening. During those times he voluntarily made a statement with respect to his and Larson's work on the wrench. It was taken down in shorthand, transcribed, and sworn to by him on November 15, 1940, and is quite voluminous. He stated therein that Larson came to his home in November 1937, where they discussed the possibility of making a tension wrench, and at that time he showed Larson a socket, a piece of drill rod and a handle; that Larson then made some patterns, and that several wrenches were made by Larson before any drawings of the wrench were made. He further stated that he made a drawing of the device in June 1938, and that it was the same drawing offered by Larson in the interference as the work of a high school boy on May 20, 1936. Automotive, after protracted efforts and considerable expense, was unable to secure anyone who would verify Thomasma's statements, but it learned from its investigation that Larson and Thomasma were then unfriendly and that Larson and Carlsen were trying to force Thomasma out of Precision.

On November 18, 1940, Automotive's attorney, Fidler, submitted to an outside attorney of good standing and large experience, the question as to whether he should submit

P. Ex. 68  
R. 911

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R. 759 the matter to either the Patent Office or the District At-  
 760 torney. He was then and there advised not to submit it  
 at that time to either, as the Patent Office would not con-  
 sider it until plaintiff's proofs were in, and the District  
 Attorney would not touch it so long as the priority pro-  
 ceeding was pending. He further advised in effect that  
 on account of plaintiff's paucity of proof, and the former  
 disloyalty of its only witness, it could not hope to discredit  
 the nine witnesses whose testimony had supported Larson's  
 priority, and that a suit for damages by the defendants  
 might ensue. He suggested that the better way would be  
 to take the matter up with the attorney for Larson and  
 Snap-On.

R. 521-2 On November 20, 1940, Fidler informed Alberts of the  
 761 contents of the Thomasma affidavit, and Alberts arranged  
 for a meeting on November 28, 1940, which was attended  
 by himself, Fidler, Thomasma, Snap-On's president, and  
 403 Automotive's president and vice-president. There Thomas-  
 765-7 masma related his story in substantial accord with his affidavit,  
 674 whereupon Alberts said he would withdraw as attorney for  
 178 Larson if the facts, as stated by Thomasma, were true.  
 However, he remained Larson's attorney of record in the  
 Patent Office until December 24, 1940, when Larson's ap-  
 plication was assigned to plaintiff, as hereinafter referred  
 to.

R. 179 On the same day, Alberts and Johnson called Larson and  
 180 Carlsen in consultation, and told them the substance of  
 409-11 Thomasma's statement. Alberts said to Larson that if the  
 statement were true, he should get another lawyer, and he  
 recommended any one of three attorneys, including Mr.  
 Hobbs. At that meeting Larson reluctantly confessed that  
 part of his testimony was false. Thereupon he and Carlsen  
 left the room. The substance of this conversation was not  
 disclosed to plaintiff nor to its attorney. The next day on  
 November 29, Larson and Carlsen employed Hobbs to settle  
 R. 578 the interference with plaintiff, and for no other purpose.  
 1047 They then notified him that they were willing to concede  
 priority to plaintiff.

R. 577 Earlier on the same day, Alberts had communicated  
 with Hobbs, and told him that there was an interference  
 between Zimmerman and Larson. He also said that  
 Thomasma in his affidavit had attacked the originality and  
 date of Larson's drawings, and that he was afraid they  
 were not true, and he thought the interference suit should

be settled. Hobbs has never seen Thomasma's affidavit, nor any of the interference evidence, and no one at that time had ever told him that Larson and Carlsen had perjured themselves. Larson, Carlsen and Alberts testified that they told Hobbs of the perjury on that day, but Hobbs denied this, and the District Court tells us by this record that Hobbs told the truth. However, the substance of these conversations was never disclosed to plaintiff or its attorneys.

R. 579

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On the same day, Hobbs notified Fidler that he was employed to settle the interference, and suggested a conference. December 2 was agreed upon, and on that date, before plaintiff or its attorney had proposed any terms, Hobbs proposed that Larson concede priority, that plaintiff to give a release for civil damages, and that it license Precision to fulfill existing contracts and commitments for wrenches. This proposal was confirmed by Hobbs' letter to Fidler of December 6, with the suggestion that no royalty be paid on orders received prior to the settlement, but that there be a continuing royalty of three per cent upon the sales price of orders received thereafter. This proposal was conditioned upon "securing back from Thomasma" his stock in Precision, concerning which the letter stated, "You may be able to be of help to us in this connection." On the same day, before receiving Hobbs' letter, Fidler notified Hobbs that the proposal was satisfactory to plaintiff, but suggested that the royalty proposal should come from Precision and Snap-On. After receiving Hobbs' letter Fidler notified Hobbs that Automotive wanted a ten per cent royalty.

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Further consultations and correspondence were had by counsel for the various parties without agreement, and on December 17, Alberts, on behalf of Snap-On, notified Fidler that Larson could not settle with Automotive without Snap-On's cooperation, and that no further concessions could be made by the latter regardless of the outcome of the controversy. Thereupon, on the following day, Zimmerman served notice of taking depositions, coupled with a demand that Larson furnish his attorneys with a complete transcript of Larson's interference testimony, which had not been fully transcribed by the reporter who was employed by Alberts. Alberts then, by letter to Hobbs, attempted to substitute Hobbs as Larson's attorney in the interference proceeding, but did not

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withdraw his own appearance in the Patent Office. In this letter he also advised Hobbs that Snap-On would require Larson to furnish tangible security to indemnify it before Snap-On would reassign the Larson application to Larson. On December 19, Hobbs declined to accept the appointment and notified Alberts that his demand for security from Larson was unreasonable.

R. 879-80

R. 1048

On that day Automotive's attorney, by letter to Alberts, stated that the latter and his client Johnson, president of Snap-On, should realize that they were holding up the issuance of the Zimmerman patent without the slightest justification. That letter further stated:

"In the second place, we do not believe that you can divest yourself of all responsibility in this matter. You are still the attorney of record. Snap-On still has legal title to the Larson application in interference. As attorney for Snap-On and Larson, you took depositions on behalf of Larson. You instructed witnesses at opportune times—inopportune times for Automotive—not to answer certain pertinent and searching questions asked on cross-examination on behalf of Automotive. You employed the reporter. Part of the transcript is not reported correctly or fully. The reporter delayed in transcribing part of the record. You must recognize that a large part of the testimony taken on behalf of Snap-On and Larson is, to put it mildly, not the whole truth. Mr. Johnson of Snap-On has been fully advised of the situation—so far as it has developed—and I assure you that there are further developments to still be revealed. \* \* \*

This portion of the letter is relied upon by the defendants as implying a threat to prosecute, in order to gain an unfair advantage. It must be remembered, however, that as early as November 29, 1940, Larson and Carlsen had instructed their attorney to concede priority, and that offer was submitted to plaintiff as early as December 2. The proposal then made by Hobbs for Larson was acceptable to plaintiff, but in as much as the Larson application had been assigned to Snap-On, its consent was necessary. If given it would have settled the interference, but it was not given to plaintiff until December 24, and the delay was caused by Snap-On, and the reason therefor is quite well expressed in a letter from Alberts to his client on December 19, wherein he stated: \* \* \* My effort



all along has been to stiffen Larson's position so that he would not leave Snap-On . . . . holding the bag—contract or no contract . . . . I would like for you to submit to your general counsel the entire matter insofar as it relates to a possible suit for conspiracy with Larson to defraud Ammco. (Plaintiff.)”

R. 841-2:

On that same day Alberts replied to the letter from plaintiff's attorney and characterized it as threatening in its nature, and charged plaintiff's attorney with having used duress in his cross-examination of Larson. (This was three weeks after he had heard Larson's confession.) He further stated:

R. 1063

“ . . . . The only evidence leading to any wrongdoing thus far was given to Mr. Johnson and myself at your office on November 28, 1940. That evidence was given by an individual who has already admitted that he has committed wrongdoings against your client, himself, and Larson. . . .

“ . . . . If everything Mr. Thomasma has said could or will be proved, even then Larson is entitled to be defended by an attorney whether such be myself or some other attorney. . . .

“ . . . . I certainly do not regard Mr. Thomasma as an individual of such repute that his uncorroborated words are deserving of being accepted hook, line and sinker. Present corroboration of the competent type with sufficient competency to outweigh Larson and his corroborators, and then your client is entitled to an award of priority. Beyond that I do not care to discuss any further phase of the case for the present.”

The next day, December 20, 1940, Hobbs, Alberts and plaintiff's attorneys conferred and agreed on terms of settlement. At Albert's request, separate agreements were entered into between Snap-On, Precision and Larson; Automotive, Precision and Larson; and Automotive and Snap-On. These were reduced to writing, executed, and exchanged by the attorneys on December 24, 1940. Neither plaintiff nor its attorneys had knowledge of the contents of the Snap-On-Precision-Larson agreement until about April 14, 1943. The substance of these contracts, in so far as they are here material, is as follows:

R. 431-4

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1. By the Automotive and Precision-Larson contract, Larson conceded priority to Zimmerman as to

R. 914



the common subject matter disclosed in the Larson and Zimmerman applications. The Larson application was to be assigned to Automotive. Precision paid \$500 to Automotive. Precision and Larson acknowledged validity of the claims of the patents to issue on the Zimmerman and Larson applications. Automotive gave Precision the right to complete unfilled orders on hand from Snap-On to the extent of approximately 6,000 wrenches with a royalty to be paid on the excess, released Precision and Larson and their customers from liability for infringement by reason of the manufacture and use of previously sold wrenches, and gave Precision and Larson a general release as to all civil damages.

R. 919

2. By the Automotive and Snap-On contract, Snap-On agreed to reassign the Larson application to Precision, and acknowledged validity of the claims of the patents to issue on the Zimmerman and Larson applications. Automotive gave to Snap-On the right to sell said approximately 6,000 wrenches then on order, released Snap-On and its customers from all liability for infringement by reason of the sale of previously sold wrenches, and gave to Snap-On a general release as to all civil damages.

R. 831

3. By the agreement between Snap-On on the one hand, and Larson and Precision on the other, Snap-On reassigned to Larson and Precision whatever title Snap-On had to the Larson application, and Precision agreed to manufacture and deliver to Snap-On the approximately 6,000 wrenches then on order. Larson assigned outright to Snap-On a joint application filed by Larson and Walraven and not involved here. Snap-On advanced to Precision the \$500, which was paid to Automotive. Snap-On assented to the Automotive and Precision-Larson agreement and agreed to the cancellation of an agreement between it and Precision dated September 28, 1938, by virtue of which Snap-On had obtained title to the Larson application.

The \$500 which Snap-On turned over to Precision was paid out of the defense fund which Snap-On was withholding under their agreement of September 28, 1938. It was paid by Precision to Automotive, who in turn paid it to Thomasma for his Precision stock, which stock was then

R. 704-5  
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1048

delivered to Precision by Automotive, who retained no part of the \$500. This was done pursuant to an understanding of all the parties, and at the request of Hobbs. We gather from the record that this was due to the ill feeling between Thomasma and the defendants and the further fact that the former had tried to sell his stock to plaintiff's president on November 3, 1940. However that may be, plaintiff agreed to use its good offices to that end and was successful.

R. 1048

In conformity with these agreements, the Larson application was duly assigned to Automotive on December 20, 1940. Later the latter added further claims which were allowed, and the Larson patent was issued to Automotive.

Both Snap-On and Precision operated under the interference settlement agreements as to the orders therein referred to. As soon as those orders were filled, Precision began to furnish, and Snap-On began to sell, a modified wrench for which Alberts had prepared a patent application for Larson on December 26, 1940, on which day Larson executed it at Snap-On's place of business. On January 16, 1941, Snap-On entered into a new agreement with Precision under which the latter was to manufacture the new wrench for Snap-On. That is the wrench which is here charged with infringement. Snap-On has continued to deal with Larson and Precision, and Alberts has continued to represent Larson in connection with other patent applications.

R. 151

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104-5

On March 10, 1943, all issues had been joined with respect to the complaint, petition for declaratory judgment and the counterclaims thereunder. On March 27, 1943, at a pre-trial examination of Larson in open court, as requested by plaintiff, Larson admitted his perjury and thereupon Automotive's counsel called the court's attention to that fact. That admission, aside from the filing of the joint amended, unverified answer of the defendants on February 8, 1943, and Snap-On's third amended petition for a declaratory judgment on March 1, 1943, verified by Alberts, was the only confirmatory evidence of Thomasma's story of which plaintiff had knowledge. When on February 8, the defendants jointly filed their amended answer, it was notice to the world that Larson had committed perjury. Likewise, three weeks later, Snap-On gave the same notice when Alberts filed its amended verified petition. Prior to those dates, plaintiff and its attorneys, of course, were mor-

R. 91

93-4  
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R. 513.4

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ally certain that Thomasma's story was true, but they did not think that the uncorroborated evidence of their traitorous former employee would be accepted as against Larson's nine witnesses. This was Albert's opinion, as expressed in his letter to plaintiff's attorneys on December 19, and also the opinion of those disinterested persons whom plaintiff's counsel consulted. Under these circumstances we think it is clear that no duty devolved upon plaintiff to report its information to either the District Attorney or the Patent Office. Certainly there was no active concealment, or misrepresentation, and after the court was informed, no duty rested upon plaintiff or its attorneys except to testify truthfully when called upon by the authorities.

It is elemental that we are bound by the material facts as found by the District Court, if they are supported by substantial evidence, otherwise we are not bound by them. The facts found by the court, with but very few exceptions, are exact copies of those requested by the defendants, and many of them are not findings of facts. The court did not find that, on or before the contracts and assignment were executed, plaintiff or its attorneys knew that Larson's proofs were perjured. The defendants' requested finding No. 11 was to that effect, but the court's finding No. 11 substituted the word "insufficient" for the word "perjured."

R. 97

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Larson testified at his pre-trial examination that Hobbs, his own attorney, told Carlsen and himself that Fidler had told Hobbs before December 20, 1940, that if the contract was not signed Fidler would "turn loose the dogs and I would go to jail." Hobbs emphatically denied this statement and denied that he had made any threat of his own or any one else to Larson, Carlsen, Precision, Alberts or Snap-On. Moreover, Fidler and Lindsey testified that neither of them had ever made any threats to Hobbs or to any one else. Larson said Hobbs was the only one who gave him any information concerning threats and charges of perjury, and Carlsen said that all of his dealings with respect to the settlement were between himself, Larson and Hobbs, and Alberts was not in the picture. There are conflicts in the evidence with respect to this phase of the case, and they cannot be reconciled so as to believe all the testimony of these three witnesses. However, the District Court informs us that Hobbs told the truth, and it is our duty to disregard all other evidence which cannot be reconciled therewith.

Johnson, Snap-On's president, testified as to threats of prosecution made by plaintiff's attorneys. However, such threats were denied by those attorneys, and Johnson testified that neither he nor his company was coerced into signing the agreement either directly or indirectly. Moreover, Larson testified that the agreement contained somewhere near a reasonable settlement, and his attorney Hobbs said that it was a fair one, and so advised him when he signed it.

Alberts, attorney for the defendants, testified at great length with respect to practically all phases of the case. Some of his statements are quite inconsistent with others made by him. Others were categorically denied by those to whom he attributed their authorship, including Hobbs. He laid great stress upon what he interpreted as threats to prosecute Larson, which were contained in letters from plaintiff's attorney. Certainly these were not direct threats, and his interpretation of them is based purely upon inferences which we think were not warranted, and were mere products of his imagination.

The District Court did not believe the testimony of Larson, Carlsen or Alberts, or any other witness, where it contradicted Hobbs' testimony, and the latter did not disagree with the testimony of plaintiff's attorneys which related to the same facts. Some, if not all, of these first-named witnesses testified to an agreement among all the attorneys that all the evidence, incriminating or otherwise, would be destroyed. This testimony was denied emphatically by Hobbs and plaintiff's attorneys, and their denial is supported by the fact that no part of the evidence adduced was ever destroyed, and all of it is set forth in the printed record now before us, or is in the hands of the clerk of this court. Hobbs had notified plaintiff's attorneys that he desired all evidence preserved. A portion of Larson's proofs had not been transcribed and never has been, and some parts had been transcribed incorrectly. When Fidler notified Alberts of his intention to take plaintiff's proofs and of his desire to have full copies of Larson's proofs, Alberts notified his reporter of that fact, and requested him to complete his transcription and notified Fidler of that fact. They were not completed when the settlement was executed, whereupon, in compliance with Hobbs' request to preserve all evidence, Fidler notified the reporter of the settlement and requested him to deliver his transcriptions and his un-

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R. 382 to

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transcribed notes to Alberts, who had employed him for the defendants. The defendants now stress this circumstance as proof of plaintiff's effort to conceal and suppress testimony. There is no merit in this contention.

R. 883-4 In Fidler's letter to Hobbs on December 28, he said, "As to other clean-up matters that we discussed last Tuesday, I will be glad to go into the same with you whenever you are ready." Defendants urge that the words "clean-up matters" indicate a purpose to destroy the evidence. However, 590 both Hobbs and Fidler testified that the words referred only to three matters which they had previously discussed, which were (1) a new and corrected assignment of the Larson application from Snap-On to Precision and Larson; (2) a correction in the Automotive-Precision agreement, and (3) procuring from Precision a list of the wrench orders then on hand from Snap-On. This testimony is supported not 885-7 only by Hobbs' letters to Fidler on December 30, and January 4, but by the District Court's memorandum of July 12.

We are convinced that the contradicted testimony of Larson, Carlsen, Alberts and Johnson has no probative value and cannot be considered as substantial evidence in the light of this record.

The defendants further contend that the Larson application should have been a joint application by Larson and Thomasma. This record does not warrant such conclusion, and we think our conclusion in this respect is strongly supported by the facts that the application was filed on October 1, 1938, by Alberts, the attorney for Larson and Snap-On, and it was assigned to Snap-On. The defendants and Alberts were fully informed as to the contents of the Thomasma affidavit on November 28, 1940, which fully stated his connection with the Larson disclosure. The defendants continued to operate under the pending application, and raised no question as to Thomasma's joint authorship of Larson's disclosure until March 1, 1943, when Snap-On, by Alberts, filed its amended petition for a declaratory decree. This was more than three years after they had full knowledge of the contents of the Thomasma affidavit, and more than two years after Larson had secretly confessed his perjury to them.

The defendants further contend that the claims added to the Larson application after its assignment to plaintiff, which claims were subsequently allowed by the examiner,



were not within the purview of the parties' contract. The examiner is not bound by contractual limitations of the parties as to the additions or rejections of claims. Here, however, the contract is silent on the subject, and we know of no reason why proper additional claims may not be allowed to the assignee under the name of the inventor as well as to the inventor before assignment. Whether the examiner erred in allowing one or more of the additional claims, or whether any of the claims are valid are questions which are not before us on this appeal. The patent is presumed to be valid, and we hold that additional claims were not precluded by the contract of the parties. Nor did their allowance render the contract between plaintiff and the defendants an unconscionable one.

We are convinced that the findings of fact, with respect to plaintiff, are not supported by substantial evidence, and that the conclusions of law are not supported by the findings. The court's ruling in dismissing plaintiff's complaint and its supplemental complaint in the infringement suit, and its counterclaims in defendants' suit for a declaratory judgment is reversed. As to all other matters the decree is affirmed. The cause is ordered remanded for further proceedings not inconsistent with this opinion.